



THE GOLDEN PASSPORT

HARVARD BUSINESS SCHOOL,
the LIMITS OF CAPITALISM, *and the*
MORAL FAILURE *of the* MBA ELITE

DUFF McDONALD

AUTHOR OF THE NEW YORK TIMES BESTSELLER *THE FIRM*

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Coast, at Stanford. When the website Poets & Quants analyzed the decision of those admitted to more than one MBA school in 2015, it found that when the choice was between HBS and Stanford, an overwhelming portion chose Stanford—56 percent to 22 percent.⁹ There's even a catchy saying about the rivalry that Stanford supporters like to roll out: "If you want your grandparents to be impressed, go to HBS; if you want your grandkids to be impressed, go to Stanford."

Nohria has implemented more changes more quickly than one might have expected as dean of HBS. If some of them were superficial, that doesn't take away from the fact that he's more willing than any dean since Walter Donham to admit that the School had flaws that needed to be addressed. And that might be because he actually buys into more of the BS that comes out of the School than a good old boy like John McArthur or an actual member of the establishment like Donald David did. Nohria sees his own career as proof of concept, and if you look into his eyes, you will see the unshakable conviction of the true believer.

But in other, equally important ways, he is a continuation of those who have come before him. Nohria sits on the board of India's Tata Sons, a clear finger in the eye to those who would suggest that the dean of a graduate school might want to avoid such potential conflicts of interest. (That he sits on only one board makes him a piker in the annals of HBS deans, but get the man time.) According to insiders, the School's second-year curriculum is a mess, the year pretty much one long job hunt. And if he really means what he says about improving the trust Americans have in business and business education, you can hardly tell it from the arrogance of the School's public relations effort.

Nohria's eyes may be focused elsewhere, though: toward the office of Drew Faust. After all, it won't be long before HBS really is the center of the Harvard campus, both geographically and financially. All that will be left at that point is for a dean from HBS to finally ascend to the office of the president of Harvard. At that point, the takeover will be complete.

Epilogue

Can HBS Lead the Way Forward?

If you've gotten this far in this book, you will realize that it's extremely difficult not to be critical of the School. At the same time, their influence and their model, how they have operationalized intellectual venture capitalism, is a truly awesome sight to behold. The machine that they created, and have sustained, is deserving of admiration, if not necessarily praise. It's real, it's tangible, and it has had enduring impact. Would that we all could say the same of our own efforts.

And yet, if anything is clear about the state of American society in 2017, it's that something has to change. Wall Street still exerts inordinate influence over the economy, inequality is near all-time highs, and economic opportunity for the majority is close to all-time lows. They promised us that shareholder capitalism would lead us to the Promised Land, but it led to unprecedented political dysfunction and the election of a demagogue like Donald Trump.

While HBS professors like Michael Porter have made efforts toward putting forth solutions to the nation's problems, most of them come with the same prescription: Give business even more influence than it already has. That's not the answer. Nor is the answer a return to a mythical era in which business was one of the professions. It never was and it never will be.

But what if MBAs emerged from institutions like HBS with a deeper understanding of the purpose of a business itself? What if they were tested not just on whether they could impress others with their classroom "performances" but on what the point of a business *should* be, beyond simply making a profit? What if they probed the political nature of managerial rhetoric rather than simply using it as a tool for optimizing one's chances of professional success?

As Thomas Johnson reminds us, the reason that we began collaborating in organized groups in the first place was to help meet the needs of the people by utilizing our abilities to work both with each other and with our environment. And yet thanks to the likes of Milton Friedman and Michael Jensen we find ourselves in a situation where the central institution of democratic capitalism—the firm itself—has somehow come to exist in opposition to everything except its own bottom line. The idea that corporate leaders must focus on profits, and profits alone, isn't just simplistic, it's outrageous. Everybody already knows that, though; the problem is that too many MBAs are either too cowardly, too weak, too greedy, or too buried under mountains of "analysis" to do otherwise. And *that* is what needs to change.

Business education's fundamental crime, adds J.-C. Spender, has been to allow, even embrace, an ideology that firms are ethically and politically neutral and thus overpower the absolutely obvious empirical facts that contradict this. In doing so, business educators have abandoned their academic role, which, aside from educating future generations, is to generate the possibility of critique and train students into doing it themselves. That way lies violent progress. But HBS will never escape articulating and propagating an ideology that buttresses the present sociopolitical situation until it articulates a more pertinent and relevant theory of the firm.

By virtue of its own decisions, the School has abdicated any meaningful societal role it might have had and has instead become a key player in what one might call the culture of optimization. The things that are supposed to matter—meaning, contribution, civility, fairness, and community—have been replaced by an obsession with tweaking the numbers in the hope of maximizing profits. Not only that, but most companies know only one way to get there, through reductionism, cost-cutting, stressing efficiency at the expense of quality, and endless metrics. Is it any wonder that those who find meaning through measurement are hell-bent on measuring every goddamn thing that they can? Even when they take that rare step back and talk about more important things, it leads them to miss the point—see Clayton Christensen's 2010 *HBR* piece, "How Will You Measure Your Life?" But life is not a case study. A better question would be *How Will You Live It?*

Maybe we should have seen it coming. Once we allowed them to tell us

on the idea that dealing in abstractions is a suitable alternative to dealing with the real thing—which is the essence not just of the case method but of financialism in general—the loss of true purpose wasn't far behind. And if you don't have a deeper purpose, then you really need to pay attention to the numbers, or you won't have anything to guide you. That's when you become a networker.

HBS should—and can—play a part in helping more people who think about business rediscover a purpose other than profit. But it's not going to get us there by clinging to its morally bankrupt insistence that there is no correct answer to any particular business situation. Because the fact of the matter is that there are some answers that are more correct than others. To be credible, too, they'll probably want to stop engaging in superficial and facile displays of problem solving, such as their solutions to ingrained sexism at the school. Perhaps, too, they ought to rethink their embrace of the absurdity of "authentic leadership" and its focus on the spiritual well-being of society's most fortunate in favor of a more broad-gauged idea such as the well-being of society itself. It could start by remedying its outrageous failure to examine the troubling "externalities" of democratic capitalism.

The good news is that it seems the one constituency that might actually force change on an institution that resists it—its student body—seems to be well ahead of the School in this regard. And it's not just its current students and recent graduates such as Casey Gerald that get it. Carter Bales, class of 1965, gets it, too. The voices of both yesterday and today have come to the same conclusion about what the School lacks and what it ought to be doing. When Dean Nitin Nohria finally stops running around the country trying to shake alumni down for money, he might take the opportunity to listen to what the likes of Casey Gerald and Carter Bales are saying.

That HBS has proved successful at helping people be successful is without question. But what we don't need from HBS is yet another generation of people who are motivated by success and success alone. What we need is for the School to finally deliver on its founding premise, which is to produce enlightened businesspeople who make a positive difference in the world. To do that, it needs to graduate more people who are motivated to solve problems, and fewer people who create them.

✓ In the social sciences—and the study of business, despite the best efforts of HBS and others to quantify it over the years, is indeed a social science—the academic's primary role is a philosophical one, to help clarify the language of our democratic discourse. They are given the space to disengage, observe, critique, and help salvage language from the damage wrought by those in power. The erosion of America's economic and cultural promise began with the corruption of that discourse, and the tragedy of the Harvard Business School is that for all its resources, it has failed to mount a sustained intellectual or philosophical effort to stop the corrosion from spreading.

The marriage of profits and politics was destined to alienate the people eventually; corporate interests have for too long overwhelmed, or, worse, acted in direct opposition to the needs of society. And the election of Donald Trump signals that the process is complete. The only real shock is that the inevitable somehow managed to sneak up on the Establishment and its MBAs. Or perhaps it's not so shocking—Hillary Clinton thought that a crystal ball built out of spreadsheets could see the future, and she ended up as disconnected from the electorate as the modern MBA is from the people they oversee.

✓ What's crystal clear *today* is that society is sick, with the victory of Donald Trump simply the most visible symptom. If there is a silver lining to all this ugliness, it's that it's now more obvious than ever that it's time to get back to the things that really matter, which is not money or metrics, but people. And yet the Harvard Business School remains in its inward-facing bubble, repeating empty mantras of enlightenment that fly in the face of simple, undeniable fact. The result: At this point, they are relevant only unto themselves and the catalyzed careers of their graduates. If that's all they want, well, they've got it. But if they want to be relevant—to be important—in the future well-being of us all, then it's time they stopped pretending to make the world a better place and actually started doing so.

Author's Note

When I embarked on the thirty-month odyssey that became this book, a friend suggested that it was the third in my trilogy of American business. My first, *Last Man Standing*, covered the career of Jamie Dimon, the most successful banker of his generation, through 2008. My second, *The Firm*, chronicled the rise of McKinsey & Company and the management consulting industry. *The Golden Passport* closes the loop with the history of management education and the rise of the MBA, told through the prism of the Harvard Business School. My friend was right: The three books are all part of the same story.

While I can only hope that those who have suffered through all three with me see the results as cumulative, I'm quite sure they will notice an evolution of my thinking on a number of matters, as well as an evolution in tone.

If there was a common criticism of *Last Man Standing*, it was that I did not hold the financial industry to greater account while writing a biography of America's most prominent banker. I accept that criticism, with the caveat that the book was intended as the story of one man's career, and not a survey of the failures of the financial crisis.

The most common critique of *The Firm* was confusing to me. It was that I posed a question—*Is McKinsey (and by extension, all of management consulting) worth the price paid?*—and then failed to deliver a satisfactory answer. Those critics wanted a *Yes* or a *No*, to which I can only respond that if the question were that simple, it would not have required a book to address it. But I can understand why "*It depends*" might not be satisfying for some. Perhaps I was too even-handed, presenting both the pros and the cons of management consulting and leaving the reader to come to their own conclusion.

When I started *The Golden Passport*, my objective was to tell the story of an enduring institution and its position at the front of the juggernaut that is the MBA. The path I took to HBS myself had gone through McKinsey, as I had stumbled upon the deep connections between HBS and McKinsey when